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State's Financial Condition Continues to Improve

General Fund revenues increased in April, exceeding the Division of Financial Management (DFM) forecast for the month by over \$110 million. Predictably, most of this was due to individual income tax collections, which came in \$92.3 million ahead of the April forecast. Corporate income tax and sales tax collections also contributed, coming in, respectively, \$11.8 million and \$8.2 million ahead of the April forecast.

While April revenues certainly provide important information regarding the state's rapidly improving financial condition, the picture will crystallize further in July, after the close of FY 2006, when the exact amount of the year-end cash balance is known. Another key piece of financial information for the overall budget picture traditionally occurs in August when DFM revises its FY 2007 forecast. The current forecast predicts a 4.7 percent base revenue growth over FY 2006.

Staff Contact: Jeff Youtz

Citizen's Committee on Legislative Compensation Raises Legislator Salaries and Unvouchered Expense Allowances

At its June 5, 2006, meeting the Citizen's Committee on Legislative Compensation voted to recommend raising legislator salaries by 3 percent, from the current \$15,646 to \$16,116. The additional salary paid to the President Pro Tempore of the Senate and to the Speaker of the House of Representatives was raised from \$3,000 to \$4,000 a year. The unvouchered per diem allowances paid to legislators who maintain a second residence in Ada County during the legislative session was increased from \$99 to \$122. For legislators living within 50 miles of the Boise, Idaho, Statehouse, the per diem regular session allowance was increased from \$38 to \$49. The annual, lump sum unvouchered constituent service allowance was increased by \$500 from \$1,700 to \$2,200. The vouchered expense allowances, along with additional benefits (health, life and disability insurance, and retirement) and the requirements for payment were unchanged.

The recommended increases were the first since 2002. In fact, the Citizen's Committee voted to reduce legislator compensation by \$500 at its 2004 meeting when it recommended the elimination of the 10 self-certified days (\$50 per day) allowance. The 2006 recommended compensation increases will be effective from December 1, 2006, to November 30, 2008, if they are approved by both the Senate and the House of Representatives by concurrent resolution. If not approved, then the old compensation rates will remain in effect. The Citizen's Committee is composed of three individuals appointed by the Governor and three individuals appointed by the Idaho Supreme Court.

The committee members currently serving through Governor appointment are Chairman Richard Jackson of Boise, Paul Hansen of Boise, and L.A. "Laddy" Dale of Challis. Those currently serving through appointment by the Supreme Court are Ken Howard of Coeur d'Alene, Katherine Moriarty of Idaho Falls, and William F. "Bud" Yost of Nampa.

Staff Contact: Paige Alan Parker

Idaho Lawmakers Attend CSG-WEST Western Legislative Academy

The Council of State Governments-*WEST* (CSG-*WEST*), a nonpartisan, nonprofit organization serving Western state legislators in 13 Western states, selected Idaho lawmakers **Senator John McGee** and **Representatives Eric Anderson, Richard Wills** and **Frank Henderson** as participants in the 2006 Western Legislative Academy, a prestigious training institute for newer state legislators. The purpose of the Academy is to build excellence and effectiveness in state legislators in the Western region.

The Western Legislative Academy convened June 12-15 in Colorado Springs, Colorado for three and a half days of intensive training in subjects such as the legislative institution, ethics, team building, communications, legislative strategies and working relationships, negotiations and time management.

Faculty included Boise State University political science professor Gary Moncrief and The Eagleton Institute's Alan Rosenthal, both nationally recognized authorities on state legislatures.

Senator John McGee and Representatives Eric Anderson, Richard Wills and Frank Henderson were selected to participate in the CSG-WEST Western Legislative Academy in Colorado Springs June 12-15 — the class of 2006 included 39 Western legislators.

Jim Marriott to Represent District 28

Governor Jim Risch has appointed **Jim Marriott** to fill a House of Representatives seat in District 28. The seat was vacated when Joe Cannon resigned following the legislative session.

Marriott is a long-time resident of Bingham County where he served as the business administrator for the Medical Clinic from July 1978 until his retirement in 1998. He currently runs a small cattle operation and works as an assistant surveyor for Centennial Enterprises.

Marriott graduated from Utah State University with a degree in business administration. He and his wife Colleen reside in the Riverside area and have 4 children and 21 grandchildren.

Davis and Black Appointed to Abraham Lincoln Bicentennial Commission

The Abraham Lincoln Bicentennial Commission is a 19-member panel created by former Governor Kempthorne through executive order. Pro Tem Robert L. Geddes has appointed **Senator Bart Davis** to the commission, and Speaker Bruce Newcomb has appointed **Representative Max Black**.

The role of the panel will not only be that of planning and promoting a celebration of the 200th anniversary of Abraham Lincoln's birth on February 12, 2009, but also in educating Idaho's citizens regarding the unique relationship between the Idaho Territory and the 16th president of the United States. President Lincoln was personally and directly involved in the creation of the Idaho Territory in 1863, and political relations with the Idaho Territory remained important to Lincoln during his presidential administration.

Jeff Youtz Selected to Direct Legislative Services Office

During a May 4 meeting in Boise the Legislative Council selected **Jeff Youtz** to fill the position of Director of Legislative Services, to begin on August 1 following the retirement of the current director, Carl Bianchi.

There were 97 applicants for the director position and, following initial review and reference checks by staff, the Council's selection subcommittee narrowed the field from 17 qualified candidates to 7 for interviews with the Legislative Council. While all the interviewees were of very high caliber, the Council felt that Jeff's experience, professionalism and skills best fit the challenges facing the Legislature's nonpartisan support staff in the coming years and will provide a relatively seamless transition in staff leadership.

Jeff has worked for the Idaho Legislature for over 28 years, providing financial and program analysis in almost every key area of state government, including education, natural resources and transportation issues. For the last 12 years he has supervised LSO's Budget and Policy Analysis section, coordinating and managing the budget and appropriations process. Jeff is the recipient of many awards, including the 1998 Staff Achievement Award from the National Association of Legislative Fiscal Officers. A native of Twin Falls, Jeff graduated from the College of Idaho (Albertson College) with a double major in history and political science.

Principal Budget and Policy Analyst **Cathy Holland-Smith** has been selected as supervisor of the Budget and Policy Analysis section, effective August 1 when Jeff takes over the director position. Cathy joined Legislative Services in 1994 after three years with the Division of Financial Management. In addition to her duties as a principal budget analyst, she has served as fiscal officer for the Legislative Services Office and has provided expertise in strategic planning. A graduate of the University of Texas with a degree in business administration, Cathy spent several years in the U.S. Air Force in accounting and finance positions. She was the recipient of a national Staff Achievement Award from NCSL in 2001.

Changes in key legislative staff positions have recently been announced: Effective August 1, Jeff Youtz will be the Director of Legislative Services and Cathy-Holland Smith will be the new supervisor of the Budget and Policy Analysis section of the Legislative Services Office.

JFAC Tours Magic Valley

The summer interim meeting for the Joint Finance-Appropriations Committee was held June 7- 9 in the Magic Valley area. Agenda items included an update on the General Fund budget, tours of the Idaho State Police Center and Idaho Fish and Game Center in Jerome, and tours of a local dairy operation and the new Fine Arts Center at College of Southern Idaho. Additional stops were made at Valley School near Eden and Hazelton, Milner Dam, the historic Wilson Theater in Rupert, Walcott State Park, City of Rocks and Castle Rocks State Park, Howells Opera House in Oakley, the CSI Mini-Cassia Center and the Professional-Technical Center in Burley.

Staff Contact: Jeff Youtz

Energy, Environment and Technology Interim Committee Meets

The Energy, Environment and Technology Interim Committee met on April 19-20 and on May 17-18. The committee will meet again on June 12 and 13 in the House Majority Caucus Room.

At the April meeting representatives of the Energy Division of the Department of Water Resources presented information about the State Energy Plan that was adopted in 1982. Dave Hawk of the JR Simplot Company, who participated in the development of the 1982 plan and serves on an energy board of the Western Governors Association, also addressed the committee. Commissioner Paul Kjellander and staff members Randy Lobb and Rick Sterling of the Public Utilities Commission presented information about the regulated electric utility and natural gas industry in Idaho, including how electric rates and natural gas rates are determined, and the Public Utilities Regulatory Policy Act (PURPA). Martin Bauer, Department of Environmental Quality, presented information about air quality issues, as well as information on permits and variances for a thermal power plant. Barry Burnell, Department of Environmental Quality, discussed water quality issues surrounding a thermal power plant. Jim Kempton, Terry Morlan and Jeff King of the Pacific Northwest Power Planning and Conservation Council discussed the Council's energy plan for the Northwest.

At its meeting in May the committee heard from David Tuthill, Department of Water Resources, about water rights issues and the law surrounding both hydro and thermal power plants. Representatives of the Idaho Power Company, Avista and PacifiCorp presented information about their integrated resource plans.

The committee also heard presentations in May from six entities that responded to the committee's request for information regarding assistance for updating the State Energy Plan. Those presenting information include

- ▶ Energy and Environmental Economics, Inc., San Francisco, Calif;
- ▶ Greystone Environmental Consultants, Inc., an ARCADIS Company, Greenwood Village, Colo;
- ▶ Ben Johnson Associates, Inc. and Utility Regulation, Boise, Ida.;
- ▶ KEMA, Madison, Wis.;
- ▶ Jerome S. Paige & Associates, LLC, (in association with State Service Program, Stateline Energy, LLC and InterEnergy Solutions), Washington, DC;
- ▶ Washington Policy & Analysis, Inc., Boise, Ida. (in association with The Gallatin Group, Boise, ID; CH2M Hill, Boise, Ida.; and
- ▶ Energy Policy Institute, Center for Advanced Energy Studies, Boise State University, Boise, Ida.

The committee plans to vote on the selection of a consultant at its June 12-13 meeting in Boise.

Membership of all interim committees, meeting minutes and a calendar of scheduled meetings are all available on the Legislature's Web site:

[Interim Committees](#)

[Legislative Calendar](#)

Staff Contact: Mike Nugent

Fuel Tax Task Force of the Idaho Council on Indian Affairs Holds Meeting

On April 26, 2006, the Fuel Tax Task Force of the Idaho Council on Indian Affairs met at the Coeur d'Alene Resort in Coeur d'Alene, Idaho. Governor Jim Risch* outlined the key elements of a fuel tax agreement between the state and the Idaho tribes. Those key elements are parity on the rate of taxation for fuels sold on the Indian reservations, collection of the tax at the wholesale level by the state, an agreed upon division of the collected tax between the state and the individual Indian tribes, a guarantee that reservation fuel outlets not owned by the tribes be bound by the agreement, and collection by the tribes of fuel taxes imposed pursuant to the International Fuel Tax Agreement (IFTA).

Governor Risch also requested that, if possible, the outstanding tax refund claims being pursued by the Shoshone-Bannock Tribes be included in the negotiations. Governor Risch stressed that a timely resolution of the fuel tax issues with the tribes is important due to legislative pressure to take advantage of the authority of the state to impose fuel taxes at the wholesale level that may be passed on to the tribes, as permitted by the recent United States Supreme Court decision in *Wagon v. Prairie Band Potawatomi Nation* (2005), and as reflected in H 661, introduced in the last legislative session.

The representatives of the Idaho tribes with on-reservation sales of motor fuels (the Shoshone-Bannock Tribes, the Nez Perce Tribe and the Coeur d'Alene Tribe) agreed to take the Governor's proposals back to their individual councils for discussion and to follow-up with the Governor's office on a one-to-one basis. Senator Michael Jorgenson and Representative George Saylor both commented that the accomplishments achieved at the meeting would not have been possible without Governor Risch's presence and that he had been instrumental in helping the task force take its next step.

The task force will meet again in the morning of June 7, 2006, in the convention center of the Coeur d'Alene Tribe's Hotel and Casino near Worley, Idaho, to hear the reports of the individual tribes regarding the status of the negotiations with the Governor's office. The Idaho Council on Indian Affairs will meet at that same location in the afternoon of June 7.

Staff Contact: Paige Alan Parker

** Jim Risch was Lt. Governor at the time of this April meeting; he became Idaho's 31st Governor following the U.S. Senate's confirmation of Dirk Kempthorne as Secretary of the Interior on May 26.*

The Fuel Tax Task Force will meet on June 7 in the convention center of the Coeur d'Alene Tribe's Hotel and Casino near Worley to hear reports of the individual tribes regarding the status of their fuel tax negotiations with the state of Idaho.

Capitol Restoration Update

Two advisory committees of the Legislature have completed their initial work to meet the aggressive schedule set for the Capitol restoration. That schedule required design and space allocation decisions from the Legislature by the end of May to enable the Idaho Capitol Commission to revise and redesign a new Idaho State Capitol Master Plan in order to begin construction in April 2007. Bonding decisions will be made this summer, design and construction contracts will be let, and all tenants of the Capitol Building will be relocated to swing space in April of 2007.

The Space Allocation and Design Advisory Committee, chaired by Senator Joe Stegner and Representative Lawrence Denney, met on May 19 and approved a general conceptual plan with several elements. New hearing rooms would be located in the atrium wings on the lower floor; offices of chairmen and secretaries would be located near the new hearing rooms; separate Senate and House food service preparation and cafeterias would be located in the wings, although some food delivery could be available on the third floor; each member of the House of Representatives and the Senate would have an office in the wings; caucus rooms, leadership offices and conference rooms would be located on the third and fourth floors of the Capitol Building; high-speed elevators will be incorporated into the design with a seamless integration from the existing Capitol Building into the new atrium wings; the Legislative Services Office would be located in the renovated and restored garden level; and a public information/gathering area would be in the central rotunda area of the garden level. (See conceptual drawings at the end of this newsletter.)

The Swing Space Advisory Committee, chaired by Senator Patti Anne Lodge and Representative Mike Moyle, is charged with coordinating a plan to accommodate two legislative sessions outside the Capitol Building during the estimated 30-month Capitol restoration. The committee met on May 25 and recommended that the Idaho Division of Public Works begin preparing the old Ada County Courthouse (hereafter referred to as the Capitol Annex) as the location for the legislative branch during the Capitol restoration. The Legislature already approved an appropriation during the last legislative session for this purpose, and the advisory committee reinforced that direction and fine-tuned the approach to be taken in remodeling office space and hearing rooms, as well as in the mechanical systems work to be done. The committee's unanimous decision was to take a very basic approach, providing new carpeting, paint and lighting, but utilizing existing offices where possible, and also utilizing the existing heat delivery system and window air conditioning for areas of year-around occupancy. The Legislature is scheduled to move into the Capitol Annex immediately following the next 2007 legislative session.

Final legislative recommendations concerning space allocation and the redesign of the Capitol Building have been completed for incorporation into the Capitol Master Plan, and work to upgrade the old Ada County Courthouse (Capitol Annex) for legislative occupancy during the Capitol restoration is underway.

*Staff Contact: Jeff Youtz
Eric Milstead*

Legislative Audits Report

The Legislative Audits section of the Legislative Services Office has released 21 audit reports so far in 2006. Eight reports contain findings and recommendations, seven of which are summarized below. Findings in the Department of Health and Welfare report will be summarized in the July newsletter.

Idaho Bean Commission – Some accounting and internal controls were inadequate, specifically the use of five separate bank accounts. Two were simply membership accounts with minimal deposits; the other three accounts included a general operations checking account and two checking accounts for grants. Utilizing multiple checking accounts creates confusion and inaccuracies, and is unnecessarily time-consuming. The report recommends that all but one checking account be eliminated. The commission has consolidated the checking accounts to a single account, implemented reconciliations and review procedures, and is more fully utilizing its accounting system. This finding is now closed.

Correctional Industries – Correctional Industries (CI) had no policy and, in some instances, no support for allowances and other reserves. The report recommends developing a policy and reviewing accounting for allowances and reserves. CI has now developed allowance and reserve policies, is properly accounting for both and evaluating them on an annual basis. This finding is now closed.

Idaho Department of Correction – The Department of Correction report has four findings and recommendations. The department has addressed two of the findings and is in the process of improving the remaining two.

- ▶ Parole and probation cost-of-supervision (COS) receivables were not sufficiently monitored. The report recommends utilizing the offender management system reports to identify, collect and resolve outstanding balances and as collections made by parole and probation officers. The department is currently revising its offender management system for COS, and is meeting with other parole and probation staff to determine how to better address the identification and collection of COS receivables.
- ▶ The accounting for inmate special projects was found to be inadequate and not sufficiently monitored. The report recommends utilizing the offender management system aging reports to identify, collect and resolve outstanding balances and to monitor collections. The department is revising its offender management system for COS.
- ▶ The department's P-card (purchasing/credit card) processes were inadequate to ensure that all purchases were appropriate. The report recommends that the department strengthen controls over P-card transactions. The department complied with recommendations to strengthen P-card controls and processes by implementing the State Controller's automated system and ensuring verification and approval of P-card transactions. The department also ensures P-card transactions are supported with receipts, limits access to the system and maintains central files for cardholder agreements. This finding is now closed.
- ▶ Accounting for travel was not in compliance with Idaho law. The report recommends that the department submit signed and approved travel vouchers with supporting documentation in a timely manner, record all travel costs on the travel voucher (including P-cards transactions), and review travel expenditures to ensure they are valid and in accordance with travel regulations. The department has now brought its travel accounting policies into compliance with Idaho law, and this finding is closed.

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Idaho Industrial Commission – The Industrial Administration Fund averaged \$5.9 million in excess cash each month during FY05. Average monthly excess cash during FY02, FY03 and FY04 was \$4.5 million, \$3.8 million, and \$4.4 million, respectively. These funds come from a premium tax set at 2.5 percent of the net workers' compensation insurance written by sureties, and 2.5 percent of premium amounts self-insurers would be required to pay to the State Insurance Fund. Because the premium tax rate is fixed, management cannot adjust the rate to reduce excess cash or increase cash, as needed, without legislative approval. The report recommends that the commission monitor the fund's cash balance with the cash needs of the commission and propose recommendations to the Legislature for appropriate adjustments, as needed.

The commission met with the Division of Financial Management and legislators, and the discussion was deferred until after completion of the 2006 legislative session. The fund balance at the end of March 2005 has increased to \$10.7 million. Since the commission has more cash available, it plans to fill vacant positions that have intentionally been left open to save funds, upgrade its computer software, possibly contract computer programmers to help on internal projects, and increase staff training. This finding is closed.

Department of Environmental Quality - Clean Water State Revolving Fund

- ▶ As in the prior audit, several accounting errors and financial statements were not completed in a timely manner. These errors can lead to over- or underpayment of loans, incorrect management decisions, noncompliance with loan agreements and misappropriation of assets. The report recommends that more than one person be trained to complete the accounting and that management provide timely oversight and reviews. The department should also generate accounting reports in a timely manner, complete timely reconciliations and consider a new accounting system.
- ▶ The accounting structure is unnecessarily cumbersome and inefficient. As noted in the previous audit report, the department uses three funds—one to record loan repayments, a second (which has a large negative cash balance) to record disbursements and a third to account for miscellaneous transactions. Additionally, the department unnecessarily uses separate program codes for different types of loan transactions, leading to multiple codes for each loan. The current process leads to less timely and efficient reconciliations, more difficult accounting, and control weaknesses. The report recommends that the department eliminate unnecessary funds and program codes.
- ▶ Documentation supporting transactions is not always adequate. As in the last audit, the department could not provide adequate documentation for some transactions. The report recommends that the department document all loan decisions that affect loans or transactions related to them. Documentation should include management and borrower approval for loan re-amortizations, and explanations as to why amounts on the repayment schedules do not agree with loan closing documents. Also, the loan agreements should explain how unscheduled payments are to be recorded against the loan.

Department of Environmental Quality - Drinking Water State Revolving Fund – The two findings and recommendations in this report are identical to the first two in the Clean Water State Revolving Fund, as summarized above.

Division of Vocational Rehabilitation

- ▶ The division is not in compliance with requirements for allowable costs charged to the Rehabilitation Services Basic Support Grant, thereby causing \$432,400 in questioned costs. This program includes counseling, vocational and other training, job placement and rehabilitation technology. The state spent more than \$13 million in grant funds and matched these funds with more than \$3 million in state money.

The *OMB Circular A-87* lists the primary requirements for establishing allowable costs. This guidance provides methodologies for charging these costs to grants. The division did not comply with this directive and did not properly allocate costs to the grant or properly document employee time worked on the grant, in order to allocate payroll costs correctly. The report recommends that the division obtain an approved indirect cost rate plan and properly document payroll costs.

- ▶ The division did not fully comply with all federal requirements for the Basic Support Grant. *OMB Circular A-133* established 12 compliance requirements for the grant. The division did not comply with three of the requirements during FY05, including requesting \$500,000 in cash withdrawals without supporting documentation, exceeding time frames for determining applicant eligibility and submitting incorrect grant cost information on federal reports. The report recommends that the division fully comply with applicable federal requirements by documenting all costs prior to requesting reimbursement, documenting all eligible determination extensions and correcting the required reports to show proper federal costs.
- ▶ The Community Supported Employment Program (CSEP) and related services are not coordinated or monitored. CSEP, funded through General Fund appropriations, is used to pay providers for community-supported employment and related services for developmentally disabled clients. During FY05, the division received \$3.97 million for this program. Most of these funds (\$3.76 million) were paid to providers for community-supported employment and related services. Many of the providers also provide developmental therapy services that are billed to the Medicaid program. During FY05, more than \$28.7 million in Medicaid funds was paid to these same providers. Other state agencies purchased more than \$7 million for other goods and services during this same time period. These amounts have increased dramatically from FY03, when the grant was \$3.2 million, Medicaid was \$7 million and the amount purchased by other state agencies was \$1.8 million.

Coordinating and monitoring funds for CSEP is essential, given the amount of funds involved from multiple sources, and the need to ensure that resources are properly accounted for and applied. The division has two employees assigned to the program who visit provider sites but do not document their visits. Without fully documented monitoring of program services and related costs, the division is unable to ensure that program objectives are being met. There is also the potential for providers to claim reimbursement or bill services to more than one funding source or entity. The report recommends that the division establish a monitoring program for the CSEP.

Audit Staff Update

Congratulations go to **J.E. Bowden**, who has completed all the testing and requirements for certification and received his CPA accreditation in April 2006. J.E. is one of ten CPAs on the Legislative Audits staff.

Staff Contact: Ray Ineck

Proposed Agency Rules

Building Safety, Division of

- 07.05.01 Public Works Contractors License Board
- 07.07.01 Installation/Heating, Ventilation & AC Systems

Dentistry, Board of

- 19.01.01 Revisions to Implement Senate Bill 1343 (2006)

Education, Board of

- 08.02.02 Uniformity/Standards/Certification of Personnel
- 08.02.02 Uniformity/PSC & NCLB Education Requirements
- 08.02.02 Uniformity/Professional Practices & Competence
- 08.02.03 Thoroughness/Content Standards
- 08.04.01 Idaho Digital Learning Academy Rules

Environmental Quality, Department of

- 58.01.01 Control of Air Pollution in Idaho/Temp & Proposed
- 58.01.02 Water Quality Stds./Wastewater Treatment Requirements

Finance, Department of

- 21.01.06 Enforcement/Veteran's Pref. In Public Employment

Health & Welfare, Department of

- 16.03.09 Medical Assistance Program - Medicare "Part D"

Idaho State Police

- 11.04.01 Horse Racing/Define & Establish Horsemen's groups
- 11.04.01 Horse Racing/Implementation of Drug/Alcohol Tests
- 11.04.02 Simulcasting/Deletes Duplicate Wager Dist. Language
- 11.04.02 Simulcasting/Collection/Distribution/Purse Monies
- 11.13.01 Motor Carrier Rules

Insurance, Department of

- 18.01.34 Certificate of Liability Insurance/Motor Vehicles

Tax Commission, State

- 35.01.03 Property Tax Administrative Rules

Veterans Services, Division of

- 21.01.01 Incorporates Vets Homes Rules into Single Chapter
- 21.01.01 Implement Chapter 50/Admits Spouses to Vets Homes
- 21.01.03 Medicaid Qualified Units in ID Veterans Homes
- 21.01.04 Idaho State Veterans Cemetery

Staff Contact: Charmi Arregui

Legislative Perspective

An Internet Newsletter —

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